

Employees' Retirement System of the County of Milwaukee
Minutes of the February 1, 2007 Investment Committee Meeting

1. Call to Order

Chairman John Martin called the meeting to order at 2:44 p.m. in the third floor conference room of the City Campus Building at 2711 West Wells Street, Milwaukee, Wisconsin.

2. Roll Call

Members Present

John Martin, Chairman
Dean Roepke
Dr. Sarah Peck
Linda Bedford

Members Excused

Michael Ostermeyer
Marilyn Mayr

Others Present

Mark Grady, Corporation Counsel
Jack Hohrein, ERS Manager
Brad Blalock, Mercer Consulting – via telephone conference
Kristin Finney-Cooke, Mercer Consulting – via telephone conference

3. Review of 4th Quarter 2006 Investment Performance

The review was held over until the next meeting.

4. Review of Capital Guardian Performance

Mr. Blalock and Ms. Finney Cooke reviewed their report dated February 1, 2007 on Capital Guardian. They reported that the policy guidelines called for a review at this time because they had now underachieved the benchmark for the 1, 3, 5 and 7 years return. They noted that this firm manages \$93 million in large cap international funds and there were performance concerns discussed three years ago.

Dr. Peck requested additional analysis and noted that GMO had performed better than Capital Guardian. Mercer's recommendations were noted on page 13 of the report.

The Committee discussed index funds, hedge fund of funds, but noted that more education was needed along with ETF fund analysis. Chairman Martin noted that the Board should consider changing managers. Mr. Blalock noted that Mercer's report included potential replacement managers on page 14. Concern was expressed about transition costs and the Mellon merger. The Committee would recommend to the full Board to start a search to replace Capital Guardian.

5. Evaluation of REIT Investments

Mr. Blalock and Ms. Finney-Cooke reviewed their report dated February 1, 2007 on REIT allocations. They reported that dividend yield was very low and their recommendations were summarized on page one of the report. The main consideration was to reduce the allocation in REITs from 5.1% to 2%. It was noted that even though the yield was poor, the return had been good at 25.3%. The Mercer representatives noted that any allocation adjustment should include a reduction in core fixed income with possible increases in alternative investments such as infrastructure. Another alternative would be less in U.S. REITs with a shift to global REITs. These changes would require a change in investment

policy. The Committee agreed to start an educational presentation at the February 14, 2007 full Board meeting with a breakdown on allocations.

6. Future Topics

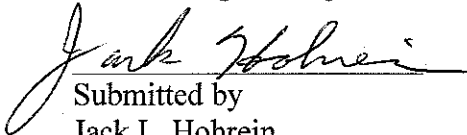
Paul Carbone would be invited to the next Investment meeting to provide an educational presentation on private equity.

Linda Bedford excused herself at 4:10 p.m.

Sudan investment discussion will be held at the next meeting.

7. Adjournment

The meeting was adjourned at 4:35 p.m.



Submitted by

Jack L. Hohrein

Pension Board Secretary

JLH